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SIPDIS

DEPARTMENT FOR IO/T, IO/EDA, AF, EB/OIA

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TAGS: EINV ECON UNCTAD EAID XA

SUBJECT: Burkina Faso Investment Policy Review 2009

GENEVA 00000682 001.2 OF 004

¶1. SUMMARY: UNCTAD held an Investment Policy Review (IPR) for Burkina Faso on June 23, 2009, attended by about 40 delegates, including a number of LDCs and African delegations. Policy Review Section Chief Chantal Dupasquier recommended that Burkina Faso accelerate legal and fiscal reforms to attract more foreign direct investment (FDI). Director General of Industrial Development, Minister of Commerce and the Promotion of Enterprise and Arts in Burkina Faso Adama Traore, reported that GOBF has instituted many reforms following the World Bank's negative review of Burkina Faso's investment environment. Meeting participants, especially neighboring African nations, expressed support for Burkina Faso's reforms, and described favorably their recent experiences investing in Burkina Faso. END SUMMARY

UNCTAD IPR PRESENTATION AND RECOMMENDATIONS

¶2. According to Dupasquier, FDI in Burkina Faso has been largely undiversified, focusing mainly on existing markets in mining and telecommunications.

¶3. UNCTAD recommended further regulatory reforms in the legal framework for investment and in business, customs, corporate taxation, and administrative procedures, as well as reforms to GOBF's fiscal framework and governance. UNCTAD also encouraged the Government of Burkina Faso (GOBF) to support greater regional integration to expand its market size and opportunities.

¶4. The review recommended the creation of an investment promotion agency and a Presidential Council for Investment, and provided proposals on how to fit these new bodies into Burkina Faso's existing institutions.

¶5. The UNCTAD secretariat was optimistic about the future of Burkina Faso and its ability to attract more FDI, if the GOBF continues with the structural reforms begun the 1990s.

¶6. BACKGROUND: According to World Bank statistics, Burkina Faso's GDP was USD 6.8 billion in 2007 and it had a per capita Gross National Income (GNI) of USD 430. The largest foreign investor in Burkina Faso is the French firm Bollore with several agencies in the country including SDV Bobo-Dioulasso, BLMS Ouagadougou, SNTB/SAGA Bobo-Dioulasso, SDV Ouagadougou, SITARAIL Ouagadougou and SNTB Burkina Faso. French investment accounts for more than 70 percent of all FDI. According to the

World Bank's Doing Business 2008 Report, Burkina Faso ranks 148th out of 181 countries in terms of an attractive business environment. The CIA World Factbook cites Burkina Faso as one of the poorest countries in the world. END BACKGROUND.

BURKINA FASO RESPONSE TO THE IPR

¶7. The GOBF has heavily promoted investment since the 1990s reforms. Burkina Faso now has 15 investment promotion and protection agreements with other nations. Bureaucracies involved with investment have been restructured to encourage the development of a private sector. A trade point called The Business House was created in 2003 as a hub for information and to regulate disputes. However, Burkina Faso's strong agricultural potential remains under-utilized, with only 12 percent of arable land in use. The country also boasts significant mineral deposits, including gold, zinc, manganese, and phosphates, resources for which mining and market infrastructures have not been developed.

¶8. Burkina Faso welcomed the recommendations contained in the IPR and plans to implement them as soon as possible.

¶9. According to Traore, Burkina Faso, faces 3 major challenges to encouraging investment, but has made efforts to turn these challenges into opportunities. First, it is a landlocked country, but this can be turned into an advantage if Burkina Faso positions itself as a linking country. To this end, it prefers to now call itself (quote) land linked (end quote), noting that it is only a one hour flight from all major capitals in western Africa,

and could potentially become the center of transport for these nations.
Second, the nation's economy is undiversified, working primarily in the tertiary sector (services), but again sees this as an opportunity to move into the secondary sector (manufacturing finished goods). Finally, Burkina Faso has very little international trade, but hopes that future opening will enable it to penetrate new markets.

¶10. However, there are still many challenges for investors in Burkina Faso. According to participating business executives, the high cost and low availability of electricity is a major issue. Corruption is still a

prevalent issue, though both the government and NGOs are combating it. Lack of infrastructure, high tax rates, and the unsatisfactory administration of justice were also raised as major issues. Representatives from Canada cited the new investment and labor codes specifically as recent reforms that have made Burkina Faso a more attractive place to invest. The nation's political stability, social peace, and the commitment of public authorities to open dialogue and cooperation with the private sector have been very encouraging to all investors.

¶11. Finally, domestic private sector representatives from Burkina Faso welcomed the review, but pointed out that still only 1% of all FDI in Africa comes to Burkina Faso, and opined increases in FDI are necessary. The representatives felt that their own recommendations, which had been made with officials in a domestic workshop, were not taken into account. However, the private sector still felt that the IPR recommendations were moving in the right direction, and made clear that they were available to help with the implementation of the document's recommendations.

COMMENTS

¶12. Comment: Investment Policy Reviews (IPRs) continue to be one of UNCTAD's best technical assistance products. The IPRs are useful not only for the recommendations they contain but for the process required to develop those recommendations. UNCTAD only does IPRs at a government's request and on the condition that the government intends to implement recommended reforms and will participate in a five-year follow-up review to monitor that implementation. Launching of the IPR, such as was done for Burkina Faso, is intended to publicly highlight the government's commitment and create momentum in support of a multi-stakeholder reform process. The IPRs also encourage transparency among nations on issues beyond investment, as related issues such as corruption, infrastructure development, and labor codes are inevitably discussed.

¶13. Since 2000, UNCTAD has completed 26 IPRs. UNCTAD has another

25
requests for IPRs, which it will undertake as funding and staff time
become
available. The 25 countries with unmet requests for IPRS are: seven

LDCs
(Bangladesh, Central African Republic, Chad, Democratic Republic of
Congo,
Guinea-Bissau, Madagascar and Mali; three other African countries
(Gabon,
Republic of the Congo, Swaziland); five Central Asian countries
(Azerbaijan,
Kazakhstan, Kyrgyzstan, Republic of Macedonia, Mongolia); six Latin
American
and Caribbean countries (Bolivia, Chile, Nicaragua, St. Lucia,
Suriname,
Trinidad and Tobago); two Middle Eastern countries (Bahrain,
Kuwait); the
Philippines; and Moldova. UNCTAD has just begun work on IPRS for El
Salvador
and Guatemala. El Salvador self-funded its IPR. UNCTAD actively
raises
funds for IPRs for LDCs and African countries and works with UNDP to
secure
some UNDP funding for IPRs of middle income countries. Middle
income
countries that want their IPRS completed in the near term often
self-fund
them. The typical budget for an IPR is USD 150,000, which pays for
the
research and analysis necessary to write the IPR, publication and
launching
of the IPR, and initial follow-up activities to implement the IPR.
The USG
may wish to consider funding some of the unfunded IPRs.

¶14. Representatives from Burkina Faso fully embraced the changes
recommended
by UNCTAD to open Burkina Faso up to greater FDI. End Comment.